



Testimony of

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Before the

**U.S. House of Representatives
Committee on Agriculture**

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Chairman Goodlatte, Ranking Member Peterson, Members of the Committee, I am Dave Frederickson, President of the National Farmers Union. Thank you for convening this hearing on the Renewable Fuels Standard (RFS) and how our farmers and ranchers can participate in the development of a comprehensive energy policy for the United States.

It is especially timely as the energy bill conferees are meeting as we speak to hammer out the differences between the House and Senate energy packages, both of which contain distinctly different Renewable Fuels Standards.

Let me make one thing clear from the start, National Farmers Union, and a wide coalition of farm groups and the ethanol and biodiesel industry, supports the Senate position for the RFS in the energy conference committee proceedings, and that language is reflected in your legislation.

I want to specifically thank you and Mr. Peterson along with Mr. Gutknecht, Ms. Herseth, Mr. King, Mr. Osborne, Mr. Boswell, Mr. Moran, Mr. Salazar, and others for recently introducing the Renewable Fuels Act of 2005. Your legislation, and the Senate RFS language, would establish a strong renewable fuels standard mandate for the use of eight billion gallon of ethanol in our nation's transportation fuels by 2012, and it contains tough waiver language and anti-backsliding provisions to protect gains we have made in the Clean Air Act.

We encourage you to insist on this language in the final energy conference report. Our farmers and ranchers will settle for no less than 8 billion gallons by 2012, and the other important and vital language included in your legislation and the Senate energy package.

This robust RFS would more than double the production and use of domestic renewable fuels produced from biomass, and will create vital opportunities for family farmers and ranchers and their rural communities.

Over the last five years, we have worked diligently with Senator Lugar, Senator Johnson, Senator Talent, former Senator Daschle, and others to craft this carefully balanced legislation. I can think of no legislation in the past few years that has created such enthusiasm, and hope, in farm and ranch country.

A strong RFS would increase domestic demand for surplus farm commodities, lower federal outlays of federal farm subsidies, improve the environment, and decrease our reliance of foreign oil. Our farmers and ranchers want to be part of our nation's energy solution, and we are ready and willing to work hard.

The RFS framework outlined in your legislation, and in the RFS provisions in the Senate energy package, will send a strong signal towards the launch of a comprehensive national renewable fuels program that will benefit all of us. Americans deserve a

comprehensive, bi-partisan, and meaningful renewable fuels standard that addresses today's pressing energy needs.

Farmers urgently want to participate in the production of renewable fuels in America, and have entered innovative markets -- including renewable fuels production by forming cooperatives. Due in part to an encouraging public policy in the 2002 farm bill, ethanol and biodiesel production cooperatives are flourishing. In fact, in the agriculture sector where markets are increasingly controlled by a handful of large multinational companies, ethanol production markets appear to be one of the few U.S. markets that have become more competitive.

Farmers and ranchers in America fight to be self-sustaining and look for opportunities to expand their rural communities, and farmer-owned ethanol and biodiesel cooperatives are a useful tool to meet those goals. The success of these cooperatives is proof that forward-looking policy can produce positive ripple effects for rural America. The National Farmers Union firmly believes the RFS will help continue that economic growth.

Our members recognize the importance of encouraging renewable fuel use. This past February, delegates to the NFU annual convention approved a "special order of business" encouraging the production of "fuels from the farm". In fact, National Farmers Union policy shows that as far back as 1978, when 'gasohol' was the prevailing term, our members supported a mandate for ethanol use in gasoline way back then, and we have continued to work on this policy ever since. We are determined.

Today, five Farmers Union's state chapters operate a cooperative in Redwood Falls, Minnesota, that is producing biodiesel from rendered animal fats and oils, and a farmer-owned biodiesel production facility is being constructed in North Dakota in addition to a large ethanol plant in Oklahoma, both sponsored by our members.

House and Senate RFS legislation also provides a tax incentive for biodiesel that will be extremely important in stimulating new production of biodiesel from both soybeans as well as from animal fats. We strongly support extending the biodiesel tax incentive to 2010.

Over the past six years, we have worked with the Governor's Ethanol Coalition, other farm and commodity organizations, the renewable fuels industry, and public health advocates to develop consensus support for the nationwide use of ethanol and biodiesel. I am proud of our members and their policies that have led the way towards a sound future for domestically produced, clean alternative fuels. It is vital that our farmers and ranchers participate in the solutions that will help revitalize our rural communities, and improve our national energy security and air quality.

We believe the future of the ethanol and biodiesel industry depends upon the construction and operation of facilities throughout the nation, such as the biodiesel production facility that the president visited recently in rural Virginia.

We recognize that previous attempts to pass comprehensive energy legislation have been hindered by the debate over liability protection for the makers of the fuel additive MtBE. It is critical that Congress establish a means of ensuring that past and future MtBE contamination is cleaned up, without creating new financial burdens for states and municipalities.

Finally, Mr. Chairman, and Members of the Committee, I would like to explore with you at some later date the concept of a Strategic Renewable Energy Reserve, based on the model of the Strategic Petroleum Reserve. We feel that in order to stimulate and protect the growth of a robust RFS, it would be strategic that a limited, renewable energy commodity reserve be established to defend the economic feasibility of a national renewable fuels program. It seems logical to us that at some point we should stabilize the availability of affordable energy feed stocks for an expanding RFS, and in our proposal, this renewable commodity feed stock reserve would be isolated from the traditional, commercial agricultural market. We'd be glad to brief you and your staff on this matter at any convenient time.

CONCLUSION

A strong, robust, and environmentally sound national Renewable Fuels Standard will allow and encourage the expansion of renewable energy resources from agriculture that will reduce our dependence on foreign oil, be an integral part of a national energy plan, provide enhanced environmental benefits and, importantly for producers, boost farm income in both the short and long-term.

We continue to be committed to working with you as the House and Senate considers energy legislation in the coming weeks to see that these provisions become law, and thank you for the opportunity to share these priorities with you.